R5650-2

JAPAN · ECONOMIC · INSTITUTE

JEI

REPORT

A Two-Part Report: A and B

NO. 12A

March 23, 1990

JAPANESE POLITICS: A SYSTEM IN TRANSITION?

Summary

The ruling Liberal Democratic Party's losses to the Japan Socialist Party in last July's upper house elections prompted widespread speculation that Japanese politics were on the threshold of a new era. Further proof of a restructuring of the LDP-dominated political system would be apparent when elections were held for the more powerful Diet lower house, pundits maintained. Although the electorate gave the ruling party a sound victory in last month's House of Representatives contests and, in turn, ensured the continuation of a LDP-led government, political change remains a possibility. The election outcome suggests that, while the Japanese people still believe the LDP is more capable of governing than the inexperienced, fractured political opposition, voters are becoming less convinced that the ruling party's style of politics and policies are responsive to their interests and needs.

The losses incurred by the smaller noncommunist opposition parties in both the upper and the lower house elections, against a backdrop of Japan Socialist Party gains, may indicate the beginning of a gradual transition to a U.S.-style two-party system. The challenge for the JSP during this period will be to attract candidates who can inspire voter confidence in the Socialists' governing abilities as well as to revamp the party's platform to be more relevant to Japan's emerging global leadership position.

The new administration of Prime Minister Toshiki Kaifu enters the scene faced with problems not known to recent Japanese governments. With the opposition parties dominant in the upper house, the former education minister will have to forge a working

coalition with at least one of these groups to ensure enactment of potentially contentious legislation that the Diet is expected to consider this year. Moreover, Mr. Kaifu may have to undertake this formidable task while contending with his own party's internal shake-up.

The Lower House Elections: Ruling Party Rebound?

After a year marked by political scandals, leadership resignations and a crushing defeat in the July 1989 upper house elections, members of the ruling Liberal Democratic Party pulled out the stops in campaigning for the February 18 lower house elections. Their hard work paid off. The LDP captured approximately 47 percent of the popular vote, only slightly below the percentage won in July 1986 when the ruling party gained a record 300 lower house seats.

After all of the votes were counted, the LDP won 275 of the 512 seats in the House of Representatives; conservative independents subsequently aligned with the Liberal Democrats to bring their official tally to 286 seats (see Tables 1-2). This figure is well in excess of the 271 seats the party needed to retain control of all committees in this chamber -- what in Japan is called a "stable" majority. A win of 257 seats, or a simple majority, would have ensured the election of a LDP prime minister. However, because a party is granted the same percentage of seats on each panel as it enjoys in the lower house as a whole, the LDP would not have controlled all the committees. On a 50-member panel, for example, a party would need at least a 26-member presence (since the chairman does not vote) to dominate the proceedings, which, in turn, would require a lower house majority of over 50 percent. If the LDP had won only 267

Table 1: February 18, 1990 Lower House Election Results

Party	Seats After July 1986 Elections	Seats When Diet Dissolved January 1990	Seats After February 1990 Elections
Liberal Democratic Party	300	295	286
Japan Socialist Party	85	83	141
Komeito	56	55	46
Japan Communist Party	26	27	16
Democratic Socialist Party	26	26	14
United Social Democratic Party	4	4	4
New Liberal Club	6	0	0
Progressive Party	0	1	1
Independents	9	4	4
Total	512	495*	512

*17 seats were vacant at the time of the February 18 elections.

The JEI REPORT (ISSN 0744-6489) is published weekly except for the New Year, Memorial Day, Labor Day, Thanksgiving and Christmas holiday weeks for $40 per year by the Japan Economic Institute of America, 1000 Connecticut Avenue, N.W., Washington, D.C. 20036. Second class postage paid at Washington, D.C. POSTMASTERS: Send address changes to JEI REPORT, 1000 Connecticut Avenue, N.W., Washington, D.C. 20036.

Table 2: Status of Winning Lower House Candidates

Party	Incumbents	Former Office Holders	New	Total
Liberal Democratic Party	228	5	53	286
Japan Socialist Party	65	16	60	141
Komeito	35	0	11	46
Japan Communist Party	10	2	4	16
Democratic Socialist Party	8	3	3	14
United Social Democratic Party	4	0	0	4
Progressive Party	1	0	0	1
Independents	2	0	2	4
Total	353	26	133	512

seats, what the Japanese call a "dominant" majority, it would have controlled the influential budget committee.

Thus, had the February elections reduced the LDP's majority to less than 271 seats, the ruling party would have had little choice but to form a coalition with at least one of the opposition parties in order to facilitate legislative action. Preelection polls by Asahi Shimbun indicated that some 45 percent of the Japanese people in fact favored roughly equivalent wins by the ruling party and the opposition parties as a group. But with a field divided among 720 party-affiliated candidates, of which 320 were running on the LDP ticket, chances were slim that the vote would balance out given the multiseat representational system in the lower house. The LDP's solid 275-seat win means that the party will extend its 35 years of uninterrupted leadership into the near future.

Playing it safe - The LDP had a lot riding on the elections. It already had lost control, for the first time since the party was founded in 1955, of the Diet's upper house. When the polls closed after those July 23, 1989 elections, the LDP's 142-seat presence in the 252-seat House of Councillors had been reduced to 109 seats, while the Japan Socialist Party's tally had climbed to its highest yet, 73 seats (see Table 3). When the JSP total is combined with that of the other non-LDP parties, the political opposition can count on a 142-seat majority in this chamber (see JEI Report No. 32A, August 18, 1989).

This loss represented a watershed in postwar Japanese politics. The upper house realignment, as will be discussed below, has forced and will continue to force the ruling party to work more closely with the political opposition in developing and enacting legislation. Nevertheless, no matter what party dominates the upper house, it is the party that controls the lower house that plays the key role in ruling Japan.

The Japanese constitution gives the lower house greater authority than the upper house in some important policy areas. As a result, the House of Representatives plays a leading role in the governing process. In the selection of a prime minister, for example, if there is a disagreement between the two chambers, the decision of the lower house prevails. Thus, as mentioned above, even with only 257 seats, the LDP could ensure that one of its own continues to lead

Table 3: Current Upper House Party Alignment

Party	Seats
Liberal Democratic Party	109
Japan Socialist Party	73
Komeito	20
Japan Communist Party	14
Democratic Socialist Party	10
United Social Democratic Party	0
Progressive Party	0
Rengo	12
Minor Parties	9
Independents	4
Total	251*

*One seat is vacant.

the country. In addition, all money bills first must be submitted to the lower chamber. If the two houses fail to reach an agreement on the budget or if no decision is made by the upper chamber within a month, the lower house-passed measure will prevail. Action by the House of Representatives on international treaties also will supersede a contrary judgment or inaction within 30 days by the House of Councillors. Finally, for all nonmoney bills, the lower house can override an upper house action by a two-thirds vote.

The electorate, of course, is aware that the lower house is the more important of the two chambers. The prevailing view among Japanese political commentators is that voters therefore used last summer's upper house contests to register discontent with ruling party politics and policies. Public disenchantment with the LDP's clubby, "smoky backroom" politics reached new heights as leading ruling party officials, one after another, were implicated in the Recruit Co., Ltd. influence-peddling scandal (see JEI Report No. 10A, March 10, 1989). This development added fuel to the dissatisfaction that already had been kindled in voters' minds by the LDP-led government's implementation of unpopular tax and import liberalization schemes. Many reacted by casting their ballots for JSP candidates, not so much as an endorsement of the Socialist Party but as a retaliatory tactic and anti-LDP statement. Moreover, since the upper chamber is the weaker of the two, voters could rest assured that the election results would not set in motion changes for which they were not quite ready.

When it came to selecting representation for the more powerful lower house, however, the Japanese people chose to play it safe and continued to entrust control of this chamber to the LDP. Professor Gerald Curtis of Columbia University maintains that the February 18 elections were a "vote of no-confidence in the opposition and a vote of confidence that the LDP is the best [the Japanese people] can get, given the options they were offered." Shuei Sai, one of a new breed of U.S.-style campaign consultants, concurs that voters were frustrated with the LDP old guard but anxious about any kind of left-wing coalition. While the issues that influenced the upper house contests -- Recruit, the 3 percent consumption tax and agricultural reform -- no doubt still affected voters' thinking in the election booths February 18, the overriding concern

appeared to be whether a coalition led by the JSP could run the country. "They decided 'no,' that Japan's present stability, even with the excessive misbehavior of the ruling party, was better than the formidable uncertainties such a change would bring," Ms. Sai maintains.[1]

Perhaps the most striking evidence of voters' willingness to tolerate the LDP's "misbehavior" was in their reelection of virtually all of the senior ruling party officials who in some way were implicated in the Recruit affair (see Table 4). Former Prime Minister Noboru Takeshita, who resigned to accept responsibility for the scandal, former Finance Minister Kiichi Miyazawa, former LDP secretary general Shintaro Abe, former Prime Minister Yasuhiro Nakasone and former chief cabinet secretary Takao Fujinami, who is under indictment for accepting bribes from the employment and information services conglomerate, were among the tainted officials returned to office. Mr. Nakasone, who faced what was described as one of the toughest races of his 16-term career, declared that the elections "purged" himself and others caught in the Recruit web. "The general election is the highest judgment of the people . . . so I think the case has been closed," he said.

Table 4: Lower House Candidates Implicated in Recruit Scandal

Name	Party	Result
Shintaro Abe (former foreign minister)	LDP	X
Takao Fujinami (former chief cabinet secretary)	Independent	X
Takujiro Hamada	LDP	X
Bunmei Ibuki	LDP	X
Koichi Kato (former defense minister)	LDP	X
Mutsuki Kato	LDP	X
Kiichi Miyazawa (former finance minister)	LDP	X
Yoshiro Mori (former education minister)	LDP	X
Yasuhiro Nakasone (former prime minister)	Independent	X
Kunio Takaishi (former education ministry official)	LDP	O
Noboru Takeshita (former prime minister)	LDP	X
Keishu Tanaka	DSP	X
Saburo Tsukamoto (former DSP chairman)	DSP	X
Takumi Ueda	JSP	X
Hideo Watanabe	LDP	X
Michio Watanabe (former finance minister)	LDP	X

LDP = Liberal Democratic Party
DSP = Democratic Socialist Party
JSP = Japan Socialist Party

X = won
O = lost

Source: The Japan Times, February 19, 1990

Reining in the ruling party - But the electorate did not completely let the LDP off the hook on tax reform. Sadanori Yamanaka, who, as chairman of the

[1]Shuei Sai, "Election Reveals Shift in Japan Politics," Asian Wall Street Journal, March 5, 1990.

LDP tax committee, played a key role in developing the controversial 3 percent consumption tax, was voted out of office. Three other ruling party members active in the tax reform debate -- Tatsuo Murayama, former finance minister; Takeshi Noda, vice chairman of the LDP tax committee; and Yuji Tsushima, secretary general of the LDP tax committee -- were returned to the Diet but with considerably less support than they had received in the 1986 elections. An important plank in the JSP's platform is that the consumption tax should be abolished; the other noncommunist opposition parties also oppose the tax. Thus, by voting incumbents involved in tax matters out of office or supporting their reelection with much slimmer margins, the electorate signaled its expectations that the ruling party leadership had better engage in meaningful action on tax reform during the Diet's current extraordinary session.

Losses in some traditional strongholds also sent a warning to the LDP. Much of the JSP's 58-seat gain in the lower house came from rural districts heretofore dominated by the LDP. Most analysts attribute this backlash to farm constituents' continuing anxiety over the ruling party's agricultural reform policies. In Japan's rice belt (northern Tohoku), for example, LDP-held seats fell from 38 to 30, while the JSP picked up an additional six seats, bringing its total in this part of the country to 16. In Niigata prefecture, another major rice-producing area, the JSP gained a seat each in two LDP-dominated districts; the Socialists also successfully clinched a seat each in two Shikoku districts. The defeated LDP incumbents in these areas were not political novices. In Miyazaki's all-LDP second district a Socialist candidate unseated former Agriculture Minister Hisao Horinouchi. In addition to championing unpopular farm policies, Mr. Horinouchi further had damaged his reelection prospects by making sexist remarks last summer concerning JSP leader Takako Doi's leadership abilities (see JEI Report No. 27B, July 14, 1989). Other LDP agriculture experts stripped of their seats included Tatsuo Sasayama in Akita's second district and Tokuichiro Tamazawa in Iwate's first district.

Judging by voters' rejection of these LDP policymakers, a widely held interpretation of the JSP's performance is that the Japanese public feels the ruling party should be reined in a bit more. The JSP alone was able to increase its representation, from 83 seats to 141 seats; the other three major opposition parties all lost seats. Some analysts do not even attach much importance to the JSP's gains, pointing out that in the late 1960s the Socialists held approximately 140 lower house seats. For the next five elections the JSP managed to retain 110 to 120 seats until it suffered a major setback in 1986, winning only 85 seats. Thus, this more recent victory merely was a return to the party's previous strength.[2]

Further putting the JSP gains in context was Yohei Kono, a senior LDP member, who was quoted as saying, "The votes that went to the Socialist Party were checking votes against the LDP." Professor Yukio Suzuki of Yokohama University concurs that the electorate did not want to see the LDP "run ahead alone trying to have its way." Voters wanted the JSP, the largest of the opposition parties, to maintain a close watch on the ruling party and restrain it when necessary, so they concentrated their anti-LDP votes on JSP candidates, Mr. Suzuki maintains.[3]

[2]Ibid.

[3]Yukio Suzuki, "Perceptions Must Change," The Japan Times, March 6, 1990.

Where the opposition parties fell down - Despite these impressive inroads, the Socialist Party did not perform as well as it had hoped in the lower house contests. In fact, the extent of the ruling party's win surprised even many LDP members who, reflecting on the upper house outcome, were fearing the worst, that is, securing only a simple majority.

Granted, the JSP did not field enough candidates to seriously undermine the LDP's chances of securing at least a simple majority. Opposing the ruling party's slate of 320 candidates were approximately 155 JSP candidates; 131 from the Japan Communist Party; 58 from Komeito; 44 for the Democratic Socialist Party; and six each from the United Social Democratic Party and the Progressive Party. Of the 271 seats needed for a stable majority, 235 LDP candidates were considered "safe" prior to the elections, while 36 others faced tough races.

These 36 races, at least, would appear to have provided the JSP with a good chance of cutting into the ruling party's majority. What happened? The JSP's biggest handicap in trying to convince the Japanese people that it can govern the country better than the LDP is its lack of national leadership experience. Following its upper house success, the Socialist Party could have capitalized on its momentum and instilled confidence among the electorate by coming forward with coherent policy alternatives. Instead, the JSP remained mired in its own internal, ideological cleavages and proved unable to forge a coalition with the other noncommunist opposition parties. This only reinforced the public's impression that the Socialist Party should not be entrusted with major governing responsibility.

While voters, in the end, did see fit to expand the JSP's lower house presence as a check on the ruling party, this was at the expense of the other opposition parties. Komeito dropped to 46 seats from 55, the JCP to 16 from 27, and the DSP to 14 from 26. The JCP's usually stable base of support apparently was shaken by the blows to communism's influence in the Soviet bloc as well as Beijing's oppression last year of the student-led democracy movement. The DSP and Komeito, which occupy the philosophical center of Japan's political spectrum, were hurt by their inability to offer attractive policy alternatives that clearly differentiated them from the ruling party on the right and the JSP on the left. Thus, voters who wanted to cast an anti-LDP vote apparently were more inclined to support the JSP simply because it is the largest opposition party with at least some muscle.

Implications for the Multiparty System

While the lower house elections reaffirmed that the LDP will continue to play a dominant role in governing Japan, the successive gains by the JSP in both upper and lower house contests -- and related losses by the other opposition parties -- raise questions about the future of Japanese politics. There is a view that the poor showing of the DSP and Komeito, in particular, may be symptomatic of a transition toward a two-party system. Such a system would feature two new parties, which -- even though their names might still be the same -- could stand for policies and programs quite different from those endorsed by the current LDP and JSP.[4]

[4]Nathaniel B. Thayer, lecture before the Japan-American Society of Washington, January 31, 1990, Washington, D.C.

Prospects for such an evolution do not envision the opposition parties uniting as one under current circumstances. Although the four major opposition parties convened a special summit last spring ostensibly to lay the foundation for a coalition that could take on the LDP, organizational problems and ideological differences have stood in the way of unity. The JCP refuses to cooperate with any other party. Among the three noncommunist opposition parties the potential for unity exists, but the JSP's left wing persistently has blocked efforts to resolve important differences -- even in its own party -- on defense and foreign policy issues. The JSP, Komeito and DSP share disparate views on Japan's defense role and the U.S.-Japan Mutual Security Treaty, nuclear power construction and recognition of North Korea.

With the Socialists' gains in the lower house contests, the possibility of bridging these differences appears even more remote. Indirectly suggesting that the weakened Komeito and DSP have no choice but to follow the Socialist Party line, JSP secretary general Tsuruo Yamaguchi declared that "the JSP's big gains in the [lower house] election indicate that the voters supported the policies of the JSP. . . . [O]ur bargaining power with the LDP depends on our unity as a majority force in the upper house against the LDP's control of the lower chamber." But the centrist parties have refused to budge. Responding to Mr. Yamaguchi's remark, Yuichi Ichikawa, secretary general of Komeito, stated that while "opposition unity may be beneficial for the JSP, we are not an auxiliary force for [this party]."

Rather than aligning with the Socialists, the DSP and/or Komeito may decide to join the Liberal Democratic fold. On defense and foreign policy matters, in particular, there are virtually no differences between the centrist parties and the LDP. However, it is improbable that the DSP or Komeito would enter into such an alliance without demanding policy concessions from the LDP, possibly in the social welfare area; they also no doubt would want cabinet positions. A more likely scenario would see an issue-by-issue LDP coalition with one or both centrist parties in a bid to facilitate Diet action.

Unexpected, impressive gains in the upper house elections by Rengo, the political arm of the Japanese Private Sector Trade Confederation, put that group forward as a possible "adhesive" that could hold the noncommunist opposition together (see JEI Report No. 32A, August 18, 1989). Rengo enjoys the support of all four main opposition parties and has stated outright that it views itself as an opposition party coordinator rather than as an ideological entity. While the fledgling party may yet realize its aspirations, its poor showing February 18 (of the five candidates it backed, only one was elected) has raised doubts. Yet, some political observers remain optimistic that in the longer term Rengo may help right-wing members of the JSP, DSP and Komeito form a new, reformist political entity.[5]

The JSP appears to have the potential to develop into a party capable of governing the country -- if it can find an ideological common ground that would unite its extremist elements. Unlike the LDP, which draws its backing primarily from the business community and the agricultural sector, the Socialists have demonstrated in the past two elections that they can gather support from numerous segments of society.

[5]Sai, op. cit.

Yet, to date, the JSP has relied on reactive policies rather than promoting new ideas that can serve as national policies. On the consumption tax, for example, the Socialists have been adamant that the tax be abolished or completely overhauled. Passage of such legislation by the upper house, however, was not accompanied by concrete, fiscally responsible substitute tax measures. Instead, the Socialists said such measures would be forthcoming after lower house action to abolish the tax. This strategy was not well conceived. Although the upper house measure was sure to meet defeat in the lower house, the JSP lost its opportunity to work toward a compromise. The LDP's proposed revisions are sure to retain the 3 percent tax in some form. Had the JSP chosen to cooperate with the ruling party rather than taking a rigid stand, it might have realized even greater reductions or exemptions to the tax.

Its position on defense also is not in tune with international developments and Japan's emergence as a global power. The JSP traditionally has favored a neutral defense posture for Japan and opposed the U.S.-Japan security treaty. Although the Socialists have begun to soften their rhetoric on defense, acknowledging that Japan is "a member of the Western camp," for example, the left wing of the party continues to seriously constrain the JSP on this issue. This ideological rigidity also makes it difficult for the party to attract leadership talent comparable to Ms. Doi's caliber.

The reshaping of Japan's political landscape may be left to the voters themselves. Professor Nathaniel B. Thayer of the John Hopkins University School of Advanced International Studies notes a newfound fluidity in the voting pool as the Japanese electorate seems to be responding more individualistically and, thus, be more willing to change alliances and loyalties.[6] Commitment to the group, whether it is a company or a political party, is not as strong as it once was, Mr. Thayer suggests. Until recently Komeito had the most stable core of supporters, followed by the JCP and the DSP. The recent elections indicate these cores are disintegrating. Estimating that core party advocates in Japan will take about two or three elections to completely change their party loyalties, Mr. Thayer foresees considerable instability in voter behavior in the near future. That instability, in turn, will drive the political reform process. The nature and the direction of systemic change most likely will be apparent after the 1992 upper house elections and the next lower house contests, to be held in 1994 at the latest.

Prospects for the LDP

Not only does Japan's political system appear to be entering a period of transition, but the ruling party itself may be on the verge of a shake-up. Developments surrounding Prime Minister Toshiki Kaifu's election last August and his recent reelection to the top leadership post point to important undercurrents of change in the LDP. Specifically, there appears to be a generational struggle between the LDP old guard, whose chieftains owe their power to the party's traditional factional organization, and younger members, who believe the party needs new leadership with fresh ideas and are impatient about waiting their turn.

The roots for the clash between old and new lie in the LDP's factional system. The factions function as conduits for campaign funds and power bases

[6]Thayer, op. cit.

for prospective prime ministers; they have grown large in size and, not surprisingly, become more institutionalized. Moreover, while the personal tie between a faction leader and a member was an important characteristic of these groups during the early days of the ruling party, these relationships have weakened as a pyramid-like hierarchy has evolved to manage the faction's activities. This, in turn, makes the faction more susceptible to splintering.[7]

Ironically, the very lack of personal bonds in a large faction also can make it difficult for members to agree on how a breakup should proceed and who will lead the new groups. In addition, the size of a faction is important for determining the premiership. Thus, until recently it seemed that as long as faction size had a crucial bearing on who governed the country, a splintering of these groups was unlikely to occur.[8]

But a new breed of LDP politician has emerged that feels stifled by the old order. Members such as Finance Minister Ryutaro Hashimoto, LDP secretary general Ichiro Ozawa and Tsutomu Hata -- all under 60 years of age and members of the faction headed by Mr. Takeshita -- have risen rapidly through the ranks and are thought to have enough support to break away and form their own groups.[9] As faction leaders they then would have a shot at the premiership. Whether or not this happens will depend in the short run on the nature and duration of Mr. Kaifu's tenure as prime minister.

The elevation last summer of the former education minister, a member of a small faction headed by Toshio Komoto, to the top leadership position indicated that party leaders had abandoned a cardinal rule of the factional system -- that is, that only faction leaders are eligible to become prime minister. In the wake of the LDP's upper house debacle and the scandals that forced the successive resignations of Mr. Takeshita and ex-Prime Minister Sosuke Uno, ruling party elders felt that Mr. Kaifu, who was untainted by the Recruit affair, projected a "clean" image that would restore the electorate's confidence in the LDP. At 59 years of age he also projected a comparatively youthful image.

Since Mr. Kaifu was not a faction leader, he was regarded by party doyens as a stopgap leader who would serve until the LDP recouped its losses. Former secretary general Abe or ex-Finance Minister Miyazawa, who both lead major factions, then could seize the reins since enough time would have passed to absolve them of their Recruit-related "sins," senior party officials assumed.

Mr. Abe's designs on the top position became apparent in January as the parties began gearing up for the lower house elections. The former LDP secretary general, who also has served as foreign minister, headed a diplomatic mission to Moscow for discussions with Soviet party leader Mikhail Gorbachev about the longstanding stalemate concerning Soviet occupation of the islands north of Hokkaido (the Northern Territories) claimed by Japan (see JEI Report No. 4B,

[7]Tomohito Shinoda, "LDP Factions: Their Power and Culture," Bulletin (The Japan-American Society of Washington, Washington, D.C.), XXV, No. 2, February 1990.

[8]Thayer, op. cit.

[9]Thayer, ibid.

January 26, 1990). Ordinarily, such high-level discussions would have been undertaken by the prime minister. This led to speculation that Mr. Abe's foray was intended to establish himself as a leading contender for the premiership if or when Mr. Kaifu stepped down, either at the end of his two-year term or if the LDP took a beating in the February 18 contests. There also were reports that although the prime minister expressed an interest in incorporating the Moscow meetings into his mid-January European tour, LDP leaders discouraged this approach so that Mr. Abe instead could enjoy a bit of diplomatic limelight (as well as divert some attention from Mr. Kaifu's tour).

Mr. Kaifu's lack of a power base also was apparent when the ruling party dissolved the lower house without hearing the prime minister's traditional policy address (see JEI Report No. 5B, February 2, 1990). The prime minister reportedly had wanted to deliver the speech so that he could highlight the positive outcome of his recent European initiative (see JEI Report No. 3B, January 19, 1990). Ruling party strategists apparently persuaded him to forgo this tradition as a means of denying the opposition parties an opportunity to preview their anti-LDP stump speeches. However, this unprecedented decision served to reinforce the impression that Mr. Kaifu was not "his own man" but simply a puppet of Mr. Takeshita's powerful faction.

The extent of the ruling party's February victory virtually blocked any LDP leaders' hopes of calling for the "stopgap" leader's resignation. Mr. Kaifu therefore won reelection February 27 soon after the Diet was convened for a 120-day extraordinary session. However, this does not mean that the ruling party has abandoned its "faction-leaders-only" criteria for selecting the prime minister. The ensuing protracted nature of Mr. Kaifu's cabinet selections suggests that the raison d'etre ~~for~~ factions -- power-brokering -- is deeply rooted. Mr. Kaifu, although reelected, still can expect to face some tough challenges from senior LDP officials who long have coveted the top slot.

Determination of the new cabinet followed the customary resignation en masse of Mr. Kaifu's first cabinet. Although the prime minister officially names his cabinet, in practice he makes the appointments after deliberations with the major faction leaders to ensure that each group is represented in the cabinet according to its relative strength within the party (see Table 5). Discussions apparently became heated after the prime minister, who declared that political reform would continue to be one of the top priorities of his new administration, was adamant that his cabinet members be politically "clean." This eliminated from contention several ruling party members favored by their respective faction leaders.

Mr. Kaifu locked horns with Mr. Abe and Michio Watanabe, a former finance minister who recently took over control of the fourth-largest LDP faction from ex-Prime Minister Nakasone. Both faction leaders wanted appointments for their proteges. However, Mr. Watanabe's candidate, Takayuki Sato, had received a suspended sentence for his involvement in the 1976 Lockheed Corp. bribery scandal. Mr. Abe's choice, Yoshiro Mori, was one of the top LDP recipients of stock shares from Recruit. The prime minister stood firm in rejecting both candidates. Mr. Mori withdrew, but not until after marathon discussions did the Sato nomination fall, when Mr. Kaifu, in an apparent compromise, appointed Kabun Muto, an "untainted" member of the Watanabe group, to the post of international trade and industry minister (see JEI Report No. 10B, March 9, 1990).

Mr. Kaifu's adherence to principle over politics received positive press play and no doubt improved his image with voters concerned about the LDP's

Table 5: Liberal Democratic Party Factions

(as of February 20, 1990)

Faction Leader	Number of Members
Noboru Takeshita*	69
Kiichi Miyazawa	58
Shintaro Abe	58
Michio Watanabe**	46
Toshio Komoto	26
Susumu Nikaido	4
Independents	14

*To accept responsiblity for the involvement of some Liberal Democratic Party members in the Recruit Co., Ltd. bribery scandal, Noboru Takeshita resigned April 25, 1989 as prime minister and LDP president. At this time he also stepped down as head of his faction. Shin Kanemaru now leads the Takeshita faction.

**Michio Watanabe earlier this year assumed control of the faction formerly headed by ex-Prime Minister Yasuhiro Nakasone. Mr. Nakasone stepped down last spring as leader of this group and withdrew from the LDP due to his association with Recruit Co., Ltd.

Source: The Japan Times, February 20, 1990

backroom politics. However, Japanese observers emphasize that the clashes with Messrs. Watanabe and Abe further underscored the prime minister's weak power base and, in turn, could affect his ability to unify the LDP on particularly contentious domestic and international policy matters that the Diet is expected to consider this year. As mentioned, the prime minister has committed himself to reforming Japan's political system. However, a critical -- if not immediate -- element of this entails abolishing the multiseat system, in which Japan's 130 electoral constituencies each are given three to five seats in the lower house. Since many members of both the ruling and the opposition parties stand to lose in moving to a U.S.-style single-seat system, this no doubt will be a very divisive issue.

Other contentious domestic issues the prime minister will have to negotiate include tax reform and land reform, among others. On the international front Mr. Kaifu has committed himself to breaking the deadlock in the Structural Impediments Initiative talks. Some of the issues Washington wants Tokyo to address under SII, such as opening up Japan's distribution system, also affect powerful LDP constituencies. Analysts suggest that Mr. Kaifu simply does not possess the raw power or leadership acumen to tackle such an ambitious agenda and successfully shape a consensus for change.

This may be precisely what Mr. Abe and others would like to see happen. There is a view that party elders may use a "crisis" in U.S.-Japan relations, perhaps precipitated by a lack of progress under the SII talks, to pressure the prime minister into resigning before his term is up. This finally would allow faction leaders to reinstitute the seniority-based system.

But Mr. Kaifu's departure also would create opportunities for the new generation of LDP members to grab at the brass ring. In fact, Mr. Thayer of SAIS predicts that the next race for prime minister may precipitate a splintering of the Takeshita faction, with Messrs. Hashimoto, Ozawa, Hata and possibly others splitting off to form their own groups. Such a development would not destabilize LDP politics so much as it would create new discipline in the factions since they would be smaller, and, thus, three or four factions no longer would dominate party politics.[10]

The prime minister yet may survive his upcoming trials and go on to win another reelection bid, which would reflect an important break from the traditional factional system. At present, however, there is strong support among ruling party members -- both the old-timers as well as the new breed -- for factions as an organizational means of grooming Japanese government leaders. This means Mr. Kaifu no doubt will continue to face rough sailing.

Policy Implications

Ruling party members are relieved to have cleared the hurdle posed by the lower house elections, an accomplishment, they maintain, that reaffirms their opinion that the LDP is the most qualified party to rule Japan. But the LDP is not home free. The opposition parties still dominate the House of Councillors, which could pose problems for the ruling party in enacting nonbudget legislation. As a means of reining in the ruling party, the political opposition may use its upper house majority to reject lower house-passed initiatives and/or pass its own alternatives. While the LDP enjoys a stable majority in the lower house, its 286 votes are well below the two-thirds majority, or 341, needed to override an upper house action. A legislative deadlock could result unless the LDP secures the cooperation of a good portion of the political opposition.

Even before the February 18 contests senior ruling party members floated the idea of a LDP-opposition coalition. Mr. Takeshita, in fact, proposed December 14 that the LDP consider forming a "partial coalition" with some of the opposition parties. Although not explicitly mentioning Komeito or the DSP, he implied that the two centrist opposition parties would be logical candidates. Shin Kanemaru, former deputy prime minister and head of the Takeshita faction, came forward December 26 with an even bolder approach: formation of a "broad coalition government centering on the Liberal Democrats and the right wing of the JSP" (see JEI Report No. 2B, January 12, 1990). The JSP categorically has rejected any coalition with the LDP. Reacting to Mr. Kanemaru's statement, Makato Tanabe, a leader of the JSP's conservative wing, declared, "There is no way that we are going to become a supplementary force" to the LDP. Following the elections JSP secretary general Yamaguchi stressed that the political opposition has more bargaining power if it remains united.

The DSP and Komeito also have resisted a coalition, although given the losses they suffered in the lower house contests and the JSP's rigidity, a formal alignment with the ruling party might appear more attractive at this stage. In any event both parties definitely have left the door open to a "policy-by-policy" partnership with the LDP-led government. A senior Komeito member. Akira Kuroyanagi, suggested that his party might cooperate with the LDP on foreign policy issues. The DSP has indicated possible cooperation with the ruling party

[10]Thayer, ibid.

on tax reform. This is a switch for the DSP, which went along with the JSP when the upper house passed legislation last December abolishing the consumption tax. The LDP's plan would eliminate the tax on food at the retail stage and reduce it to 1.5 percent at the farm and wholesale levels.

As mentioned, a coalition with the LDP actually might prove more beneficial to the DSP and Komeito since the ruling party presumably would be forced to accommodate at least some of their views. This could have important implications for the host of contentious issues Mr. Kaifu's administration must deal with this year. Since these centrist groups tend to draw more of their support from urban and semirural areas, for example, they might favor land reform measures that exceed what the ruling party is willing to support given its traditional rural constituency. In addition, neither the DSP nor Komeito is likely to be an enthusiastic ally on political reform since they would have the most to lose in changing the multiseat system; thus, either would be in a position to block such a reform.

The exigencies of Japanese politics also may exacerbate the already tense atmosphere in U.S.-Japan relations. Lack of cohesion may make it much tougher for the ruling party to support market-opening regulatory or administrative changes. Given their historic ties to trade unions, for example, the Democratic Socialists may not wholly embrace some of the liberalization measures the LDP-led government has said it wants to pursue under the SII, such as more flexible implementation of the Large Retail Store Law. Moreover, none of the opposition parties has ever championed reform of the agricultural sector, which no doubt would compound the ruling party's problems in trying to open Japan's rice market to even limited foreign competition.

Conclusion

The February 18 lower house elections marked an important, but not a dramatic, shift in Japanese politics. In one analyst's words, voters wanted to "shake things up without tearing them apart."[11] The 1992 upper house contests should give a clearer indication as to whether the multiparty system is evolving toward the U.S. model. The next House of Representatives elections, probably in 1994 but possibly sooner if Mr. Kaifu or his successor decides to dissolve the lower house, will provide further evidence.

The LDP also appears headed for change due, in part, to the restlessness and ambition of its younger members. However, the nature and timing of any internal reorganization appears to hinge on how well Mr. Kaifu can lead his party and the country in the near future. The developments of the past year have made it virtually impossible for the ruling party to revert to its old ways.

[11]Sai, op. cit.

For further information, contact Barbara Wanner.

* * * * * *

The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.